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THE RESPONSIBILITY OF THE LIFE INSURANCE INDUSTRY

by
Kenneth Black, Jr.*

Man's Endowment Under Freedom

Man has a unique role on the stage of life. He is endowed with an intellect, a moral nature, and a free will and, consequently, is entitled to very precious rights and magnificent responsibilities. He is entitled to be free to shape his own destiny, to realize his own potential; in short, to enjoy self-determination. In this country, acting upon these assumptions, we have created a form of government and society in which the maximum of individual freedom and self-determination is possible. We expect of our citizens a large measure of self-discipline and a consideration of the rights of others.

Responsibilities Inherent in Freedom

If man's true destiny is to achieve freedom, to enjoy self-determination and self-discipline, he must recognize that the provision for the exigencies of life, illness, loss, and death is not only the *responsibility* but the *privilege* of the individual in a free society. The contrast between a citizen of a totalitarian state and the citizen of a free society is clear and sharp. In the first case, having no freedom, the individual assumes no responsibility. Hence, he rightly expects the state to supply all of his needs, educate his children, care for his widow, furnish medical care and employment security. But in the second case, the citizen enjoying the privileges of freedom should gladly assume the responsibilities.

LIFE INSURANCE — AN EXPRESSION OF FREEDOM

Hence, in a free society the individual should not expect the state to meet all the needs of himself and his family. Rather, he should consider the opportunity to provide his own security at a low price, indeed, for his privileges. *Here is the fundamental role of life insurance in our society. It provides the means whereby the free citizen can really be free and self-determining.* It is the mechanism by which he has the opportunity to be independent and enjoy that sense of personal fulfillment which is the basis of true happiness.

If the role of life insurance as an integral and basic part of a free society is presented as an opportunity to protect the right of self-determination, then it will be appreciated for what it really is and can be. That the life insurance industry play such a role is the direct and irrefutable responsibility of those comprising the life insurance industry.

Its Service to Society

With some lapses, the life insurance industry has a remarkable record of growth and service to the family units and business enterprises in this country, serving its fundamental usefulness and necessity for our way of life. We all know the contributions which life insurance makes to a widow and small children when Providence has called the breadwinner. Perhaps Dr. S. S. Huebner's words express the life underwriter's role best: "The essential need for and nature of the service you render identifies life underwriting as one of the noblest professions along with ministry, law, medicine, and teaching . . . When the doctor fails to save the head of the family, and, when should death occur, the pastor can only console, the life underwriter has the supreme satisfaction of continuing the earning capacity of the deceased and protecting the depend-

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ents from want." The sense of trusteeship which has developed over the years on the part of those responsible for management and operation of the life insurance industry represents a real contribution toward meeting its responsibility in maintaining a virile status for our free society.

Its Responsibility to Itself

But sight should not be lost of the fact that the life insurance industry has an internal responsibility which will facilitate or impede its aggregate ability to meet in full measure its responsible role in a free society. The company has certain responsibilities toward its field force, and the field force has certain obligations in its relationship to its company.

Life underwriters and field forces generally have a right to attain sufficient security to enable them also to attain the goals of happiness, of service to self and fellowman, and, in general, to realize fully their nature as free men. If the underwriter, for one reason or another, cannot attain an adequate income and security, his efforts cannot in the nature of things be directed primarily toward selfless service and council. The basic instinct of self-preservation will force him to make a sale at any costs, with certainly less than adequate attention to the client's needs and circumstances. Thus, if the life underwriter is to fulfill his role in society in full measure, he must (1) be able to attain a reasonable level of security for himself and his family; (2) be given a product which is flexible, yet soundly conceived; and (3) be given the education, training, and services necessary to execute his role with proficiency and professional attitude.

Proper Selection of Men. Let's consider these three points for a minute. An adequate income implies both security and training, but it also assumes that the agent has been carefully selected because of capacity, intellect, and motivation to make this vocation his career. This responsibility rests primarily on company management and field managers or general agents. There are companies who hire on the basis of the following philosophy: "hire ten men and with little selection take advantage of their 'relatives' and 'ready markets.' One, two, or three men will stay in the business and we will not lose money on the others since if they aren't successful their friends and relatives will produce some income to offset expense." This is nothing short of a crime. There have been men who had no aptitude for life insurance selling but were "sold" on entering the life insurance field. Gradually they have drifted out of the business, their savings wiped out, and more important, with a feeling they had failed. The life insurance industry, through the Life Insurance Agency Management Association (LIAMA), has done research in this area, but there is a startling lack of careful selection in the field today. Selection at its best is a vocational guidance process. Some few companies and managers are using specially trained professional psychologists to supplement aptitude examinations and other selection techniques. Aptitude examinations are at best a rough screening device. The success ratio in terms of turnover has been remarkably good for those following a careful process of selection. A little more money spent in selecting prospective agents will save money for the industry in the long run and much tragedy in terms of human welfare.

Adequate Training. Over and above selecting prospective agents, companies have a strong responsibility to provide adequate training facilities for new men. Too many companies send a new man out after an hour with a rate book, telling him to "see enough people and the law of averages will solve everything." Is this man capable of rendering a professional service? Isn't he more likely to join the statistics which run turnover rates higher and higher? What chances does he have of obtaining the job satisfaction that comes with service where needed? He's out to make a sale any way he can so he will not be eliminated from a financing plan or go too heavily in debt.

There are two aspects of this training problem, (1) knowledge and (2) the selling function.

(1) *Knowledge.* In regard to the first, many companies do have fine training courses covering the fundamental areas of knowledge needed by the

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life underwriter to serve his clients properly. Even for more experienced men, companies have a growing responsibility in terms of training and security. The increasingly complex society in which we live has demanded higher and higher levels of knowledge in order to enable a field underwriter to service properly the public *and* earn an adequate income. It is highly probable that a greatly increasing proportion of life insurance purchases will come from the corporate dollar. Group insurance, social security, and retirement programs are reaching vast groups who individually will be less likely prospects for the individual producer. Life insurance purchases will increasingly be made through advanced underwriting or estate planning, call it what you will, and the day will come when the industry will have to expect a large part of its individual sales from a luxury market. As the potential markets for life insurance sales become more specialized, it can be expected that more and broader information will become vital to success as a life underwriter. The average size policy will go up, and the rewards will be great for those really qualified individuals. On the other hand, competition will become increasingly important in terms of net cost, product design, and in sheer numbers of underwriters attempting to secure the business. But all of this will place an increasingly important premium on knowledge, not just of life insurance, but of related fields as well. There can be no denial of the fact. The life insurance company has a direct responsibility to its agents to provide the maximum training facilities possible within the company and to encourage, in every way possible, qualified people to participate in sound and carefully developed industry educational programs such as L.U.T.C. (Life Underwriter Training Council) and C. L. U. (Chartered Life Underwriter).

(2) *Selling.* If, however, the underwriter is to be able to earn an adequate income and attain personal security he must develop skill in putting that knowledge to work. The selling process, the ability to motivate a client to action, is as important as the knowledge itself. In this area the life insurance industry, as a whole, has a very highly developed training process as far as handling an interview and in closing techniques. In the area of prospecting, however, the industry is anything but adequate. Too many companies assume that a man will develop a skill in prospecting while he is using up his relatives and other "prime" prospects with which he enters the business. What happens when he runs out of these?

Market Orientation. Prospecting deserves far more attention than it has been given to date by most companies and general agents and managers. Prospecting must be carefully organized and a continuous process. One general agent tries to hire men who have never lived in the community, so that from the beginning they will be conscious of the need for careful and continuous prospecting. This general agent's turnover rate is extremely low and, next to careful initial selection of men, his unusual attention to prospecting and market orientation is probably responsible for much of his success. Since prospecting is a prerequisite to the use of knowledge and other selling skills, it deserves studied attention both by the companies and the field forces. The thought of a well informed underwriter, with great skill in handling interviews and motivating clients to action, slowly starving to death because he has no prospects is somewhat depressing.

Inadequate attention has also been given to market orientation for agents. A check of the roll of the Million Dollar Round Table would probably show that the great majority of those men operate primarily in one type of market. Men who have failed in the life insurance business have found new life and complete success in a special market for which they were suited. For example, one field underwriter in Georgia was an utter failure until his general agent suggested that he consider a military market. He moved from Atlanta to a city where there was an Air Force installation and has been a member of the MDRT virtually every year since then. Others may find a "home" in the "doctor" market, pension trusts, or others.

It is important that each individual underwriter also give careful attention to this question of market orientation. Even more directly than the manager or general agent, the underwriter should sense the markets in which he feels most comfortable. It would appear that more attention could profitably be directed by the industry toward market analysis with application to merchandising, product design, and agent orientation.

Need for Research. The life insurance company is responsible to provide a salable product as well as the related services necessary to maximize the productivity of the career life underwriter's service to society. In the past, life insurance companies have not done enough market and product research. It is only recently that the industry has begun to anticipate the needs of the insurance consumer with some direct attention to product design. For example, a few companies have redesigned their policy contracts with an eye to simplicity and ease of understanding and consequent public satisfaction. The industry could do much to dispel the public misunderstanding of the "fine print in insurance contracts" if more companies would devote attention to the area. Market research and analysis have been used extensively by other industries, but only recently has the life insurance industry made any concerted effort in this area. Many of the developments that are accepted today came from the

field or from consulting actuaries and clients. The increasing interest of companies in anticipating the needs of the public and in product design is a good sign. The insurance industry has a wealth of talent and should not "wait out" problems, but should attack them positively and aggressively. Some mistakes will occur, but no dynamic institutions can in the nature of things make progress without error.

The Drive for Volume. Changes are going on at a rapid pace in the life insurance business. New policy forms such as the "specials" and the family policies, premiums graded by size of risk, and other innovations have jumped on the market at a rate which is astounding. At the same time, the pressures of competition have led to questionable practices and innovations motivated primarily by the drive for new business. The drive for volume in some companies has been so strong that the public's role apparently is not to be considered the object of a service weighted heavily with the public interest, but rather the vehicle for the apparently insatiable urge for more business — higher production records no matter what the cost.

The pressure for more volume has made an inadequate recruiting and selection process in some companies even worse. Companies have upped and upped again recruiting quotas. This has led to an even more indiscriminate process of hiring new men. The pressure for volume also has placed a premium on getting a man into production. It's good, of course, to get a new man started as soon as possible, but not at the sacrifice of the public and increasing turnover. As a matter of fact, over the last few years many companies have shown losses in manpower despite extensive and expensive drives to increase manpower.

The Underwriter's Key Role

The field force is the lifeline of a life insurance company. Group or no group, social security or no social security, the individual career producer — the aggressive, motivating link between the buying public and the home office—will always have a major role to play as long as our society remains essentially free. The obligation of the agent and the entire industry to provide the means of individual security by putting *in force* adequate insurance protection cannot be overemphasized. To those who believe that intervention of government into areas of private enterprise operation is undesirable, this obligation is paramount. Their motto is "the difficult, do immediately; the impossible, take a little while." Industry efforts to meet this motto have led one author to call this a"period of containment," a period of preventing further expansion of the various government social insurance programs.

The life underwriter should take advantage of every opportunity to improve his knowledge and skill. He has the right and, in fact, an obligation to *insist* that his company furnish him with adequate training facilities in terms of both basic knowledge and selling skills. He is called on to face and to provide advice concerning increasingly complex financial problems, and he may rightly also insist on a continuing supply of information on social, tax, legal, and other changes which have an impact on his business and clients.

In turn, the life underwriter bears certain responsibilities to his company. Success and human happiness do not arise without hard work. Job satisfaction is a vital ingredient. If a man is happy in his work, it will be reflected in a happy home. Even if the companies meet their responsibilities 100 per cent, what good are training facilities if they're not used? What good is market and product research if the underwriter doesn't take advantage of the opportunities afforded to him to serve his clients? In addition, if the life underwriter expects his company to meet its responsibilities, then, in exchange, he owes the company a conscientious execution of his job, including utilization of the educational facilities made available to him. If the company is going to invest substantial funds in its field force through careful selection, training, market research, and other services, it may rightly demand the full time and conscientious effort of each member of its field force. In a word, the life underwriter has no obligation to be absolutely loyal to his company and general agent.

The rights and responsibilities of the life underwriter and his company are reciprocal in nature. The rights of the underwriter are the responsibilities of the company and vice versa. It is only when both accept their responsibilities and insist upon their rights that the industry will maximize its service to the public and meet in full measure its responsible role in a free society.

LIFE UNDERWRITING — ITS EVOLUTION TO A PROFESSION

Standards for Professional Status

Basically, all of the well recognized professions have viewed their educational standards for their practitioners from the following three standpoints:

(1) a substantial fund of knowledge, involving a considerable area of study initially and continued study thereafter to the end of the working life;

(2) testing of the mastery of that knowledge by prescribed examinations of a comprehensive nature; and

(3) integration of the program of study with the higher educational system of the nation on a collegiate level.

Trends in Life Underwriting

The trends in the evolution of the vocation of insurance underwriting towards a professional status evidence a similar approach. The most im-

portant milestone in the path taken by the life underwriters was the incorporation of the American College of Life Underwriters in 1927, with the blessings of the National Association of Life Underwriters. Although the early road was rocky, the American College succeeded in establishing an educational standard for the profession of life underwriting and the award, on the basis of examinations, of the professional designation of Chartered Life Underwriter (C.L.U.).

Competition and the increasing complexity of our business and personal activities are demanding a professional approach to the career of life underwriting. In recognition of this trend, every life underwriter, particularly *younger*, new men in the business, should embark on the L.U.T.C. or C.L.U. program as soon as he has established himself in the business. The L.U.T.C. program is a splendid educational program providing fundamental knowledge of life underwriting in an extremely practical manner. The L.U.T.C. program, which is sponsored by the National Association of Life Underwriters, can serve as the preparatory program for further study, ultimately leading to the professional designation, Chartered Life Underwriter (C.L.U.).

The progress of the vocation of life underwriting toward a professional status parallels the advance of the life insurance industry toward meeting its responsibilities in a free society. The public will accord recognition of the vocation as a profession only when the overwhelming number of life insurance underwriters adhere to professional standards. The progress of vocations toward a professional status has followed essentially the same pattern.

Fifty years ago, a young man could prepare himself satisfactorily for the practice of law by reading law in an established lawyer's office, gradually gaining experience. All of us know the rigid requirements which a person must meet in order to enter the legal profession today. The advancement which the legal profession has made could not have taken place without the steady enhancement of the educational standards required of those desiring to enter it.

Similarly, the teaching profession has continuously raised the educational standards to be met in order to engage in the teaching profession. Twenty years ago a Master's degree opened the door to a college teaching job; today, the possession of a Ph.D. is rapidly becoming the minimum requirement.

The lesson that can be drawn from these two professions (and the same thing is true of medicine, accounting, the ministry, engineering, and any number of others) is clear. It means that, as a vocation moves toward a professional status, competition between members of the vocation as well as the demands of the public result in a constant raising of the educational requirements for those who practice the vocation.

THE C. L. U. PROGRAM

The insurance underwriter in attempting to arrange a sound insurance program is faced today with extreme competition both within and without the insurance industry. The life underwriter, for example, must compete with investment programs of savings and loan associations, mutual investment funds, and other forms of savings plans as well as with life insurance field men of varying degrees of skill. In addition, the natural inclination to purchase immediate services or consumer goods must be overcome in order to place an adequate program. The TV set is often the most virile competitor faced by an underwriter. On the other hand, no one would question the fact that competition is good for the industry and the underwriter. But it does place a premium on knowledge, and more important, a professional attitude; and therein lies the importance the C.L.U. program.

From the standpoint of educational and professional accomplishment, the C.L.U. designation represents the pinnacle of achievement in the life insurance business. For the young man or woman entering the insurance business on a career basis not to pursue work toward the C.L.U. designation would appear to be shortsighted. The designation may not be an essential to success in the business today, but if the development of the accounting profession is any indication, it will not be too many years before it will be a major factor. There are competent public accountants today who are not certified, but the great majority of businessmen today are disinclined to accept an audit report unless it is signed by a C.P.A. It would appear that the day would come when businessmen and the public generally will insist that a life insurance program be signed by a C.L.U. before they will accept it. It is for this reason that the professional designation is of great significance for those who today enter the insurance field on a career basis.

Insures Bona Fide Status in Profession

What does this designation mean to the consumer of life insurance service? Any practitioner can hardly render a truly professional service if he looks on his vocation as a side line—if he is not willing to devote his entire time and his best thought and energy to the service of his clients. The standards established for a candidate to receive the C.L.U. designation have been maintained at a high level. Consequently, only an individual who devotes his full time to the life insurance field would normally be willing to undertake the program of study necessary to pass the national examinations. In addition,

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USE OF ELECTRONIC COMPUTERS IN MARKETING RESEARCH

by

Frank J. Charvat*

The outcome of the 1956 presidential election was forecast accurately by Univac Scientific early on election night after approximately five per cent of the ballots were counted. This was a dramatic illustration of the forecasting potential of electronic data processing equipment. Accountants and technical researchers have increasingly availed themselves of the use of electronic computers in the past five years. To what extent has marketing research employed this new tool? What type of marketing problems can the electronic calculator solve, and what is its potential in solving marketing problems which heretofore could not be attempted? This study examines the general kinds of marketing research projects to ascertain which types readily lend themselves to solution effectively on large-scale electronic calculators. The methodology employed is to:

1. Set forth the four general types of quantitative marketing problems.
2. Examine the operational features of the electronic computer as to its use.
3. Study how the specific types of studies could be adapted to the electronic computer.

General Types of Quantitative Marketing Problems

While variations take place in the kinds of problems, basically four general types evolve from the broad scope of marketing research.

1. The first is analysis of primary or secondary data that involves classification, cross-classification, and simple computation. A questionnaire survey to determine nail-polish buying habits could include data on brand preference and consumer characteristics. Considerable information must be stored and subjected to sorting and arithmetic analysis.

2. The second general type of problem embraces the area of distribution cost analysis. Internal records of a company are examined to determine inventory position, product line sales, customer profits, channel of distribution analysis, and performance of salesmen. The extent of analysis is limited by the needs of the company, resources, and available data.

3. The third type of quantitative problem comprises advanced statistical techniques, primarily of correlation analysis. This research finds its use in establishing forecasts, potentials, quotas, or market profiles. Internal statistics of a company or industry are related to an index, such as disposable personal income, to measure the tendency for a relationship to exist. The incorporation of additional variables to make a multiple correlation study is a further refinement of this type of analysis.

4. The fourth type of marketing study is that of model building to ascertain the most profitable type of marketing mix. This has been used sparingly to date under the heading of operations research.[1] Yet it offers the greatest challenge to marketing analysts. For example, a department store determines what apportionment of advertising expenditure among various media will draw to the store the largest number of customers.

This fourfold classification delineates the general kinds of quantitative marketing studies. Next, consider the essentials of computer use to assess its capabilities in solving marketing problems.

Fundamentals of Computer Use and Application

The digital computer basically counts while the analog computer measures. The former, exemplified by the Univac models or the I.B.M. 650 or 705 machines, is the type of large-scale calculator used in marketing research.

This is a study of computer use, not of technical operation. The mysteries of the gray boxes, flashing panel lights, whirling motors, and spinning drums are not to be examined. For the market researcher it suffices to say:

1. A computer reads, not a printed sheet, but information coded on punch cards, punch paper tape, or magnetic tape. All data and instructions,

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1 Operations research is defined as the prediction and comparison of the values, effectiveness, and costs of a set of proposed alternative courses of action involving man-machine systems. McCloskey and Trefethen, **Operations Research for Management** (Baltimore: Johns Hopkins Press, 1954), p. xxiii.

unless the latter are wired through a control panel plugboard, are fed to the device in this manner. Inputs over 1,000 per minute are possible.

2. The computer can remember what it reads. Some computers can store in specified locations the entire inventory of a large department store with 1,000,000 items.

3. Most computers can do any basic arithmetic computation — add, subtract, multiply, divide, square, and square root.

4. The computer can exercise choice; thus it makes decisions. This is accomplished by instructing the machine to compare magnitudes of quantities stored in memory and then selecting the largest or smallest for further operation.

5. The computer has the ability to write by means of auxiliary equipment connected electrically to it. These mechanisms take many forms: they can be punching devices for cards, paper tape, and magnetic tape; or they can be automatic typewriters and high speed printers. The Univac can punch an input inventory card with an updated total or print 400 lines per minute on a high speed printer.

Like the Genii, the computer depends upon the will of its master. The market researcher is the king and orders the machine through certain intermediaries to solve the problem.

First the researcher should know in detail what the solution entails. The method of attack should be written in detail, step by step, so that a clerk, using a desk calculator, could follow instructions and perform the calculations. If this is done, the work of one intermediary — the systems analyst — possibly could be omitted. However, if the problem is detailed or the company has its own analyst, this intermediary could be used to insure minimum problem time on the machine.

Next in line is the programmer who takes the instructions and translates them into specific steps, one by one, in the minutest detail. Every step is numbered and weaved into a continuous operation.

The third intermediary is the coder who translates the data into the language that the machine understands, usually some form of alphanumeric code. Next the data are placed on the proper feeding mechanism — cards or tape— and placed on the input device for entry into the computer.

The final step is the test application of the problem to the machine to make certain it is properly programmed. This "debugging" operation is extremely costly as it keeps the calculator occupied while test runs are made.

The market researcher should be familiar with computer costs so that the value of the results can be assessed against expenditures for the machine. The purchase price or rental of a computer depends upon its size, speed, storage capacity, and the extent of auxiliary equipment. The medium-sized computers exemplified by the Univac File-Computer or the I.B.M. Model 650 cost from $100,000 to $500,000 or entail monthly rentals of $4,000 to $10,000. The big Univac Scientific or other comparable models sell for over $1,000,000 or involve monthly rental charges of $20,000 to $30,000. Planning and preparation costs of a substantial nature are encountered. One utility organization spent $1,000,000 prior to the time the unit was placed in operation. Expenditures of this nature make it imperative that the machine be kept operating continuously.

Many concerns which do not own or rent a large-scale electronic calculator can have research studies made at computer centers operated by universities, computer manufacturers, or private companies. Machine time on the computer varies from $80 to $125 per hour. Preparation costs generally include the work of a systems analyst at $25 per hour, a programmer at $15 per hour, and a coder at $10 per hour.

Finally, the researcher should be familiar with the speed with which an operation can be performed. This ranges from microseconds to milliseconds per transaction. Operating time is increased if the machine is programmed to recheck its calculations, but the device is almost infallible mathematically.

Specific Types of Marketing Research Studies

The basic essentials of computer use have been reviewed. Attention now is centered on the possibilities of employing the computer on specific marketing problems.

Example 1—Classification and Tabulation

Assume a questionnaire concerning the use of nail polish is completed by 10,000 respondents. The form contains six questions and 33 possible choices and includes data on buying habits, brand preference, and consumer characteristics. It is desired to sort and cross-classify all possible variables and tabulate the results.

This problem is largely one of sorting and tabulating and could be handled by the conventional punch card operation. At the rate of 7,000 key depressions per hour, it would take approximately 20 man hours to prepare the cards for this study.[2] If this were done at one of the service centers of an office machine company, the cost would approximate $180. A complete electromechanical sorting of these would take about 70 hours; and at the rate of $5 per hour, the sorting costs would be $350. The entire operation would cost about $540 and take 90 hours.

This sorting and tabulation could be a relatively

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2 All estimates in these problems as to operating time and cost are averages of estimates obtained from system analysts and programmers who are associated actively with International Business Machines Corporation and Sperry Rand Corporation equipment.

JUNE 1958
ATLANTA AREA ECONOMIC INDICATORS

ITEM	June 1958	May 1958	% Change	June 1957	% Change	% Change Six Months '58 over Six Months '57
EMPLOYMENT						
Job Insurance (Unemployment) Payments	$ 824,470	$ 982,557	−16.1	$ 360,329	+128.8	+ 78.6
Job Insurance Claimants†	11,066	12,684	−12.8	5,451	+103.0	+113.4*
Total Non-Ag. Employment	337,000	327,800r	+ 2.8	346,100r	− 2.6	− 2.3*
Manufacturing Employment	76,400	67,800r	+12.7	85,450r	− 10.6	− 12.1*
Average Weekly Earnings, Factory Workers	$76.82	$68.71r	+11.8	$74.80	+ 2.7	+ 0.5*
Average Weekly Hours, Factory Workers	39.6	38.6r	+ 2.6	40.0	− 1.0	− 1.6*
Number Help Wanted Ads	6,931	7,328	− 5.4	8,941	− 22.5	− 29.7
CONSTRUCTION						
Number of Building Permits§	785	713	+10.1	661	+ 18.8	+ 3.0
Value of Building Permits§	$5,278,350	$12,886,350	−59.0	$3,659,812	+ 44.2	+ 70.9
Employees	21,500	20,600r	+ 4.4	20,200r	+ 6.4	+ 5.1*
FINANCIAL▲						
Bank Debits (Millions)	$1,625.5	$1,599.7	+ 1.6	$1,604.9	+ 1.3	+ 2.1
Bank Deposits (Millions) (Last Wednesday)	$1,189.8	$1,136.9	+ 4.7	$1,100.4	+ 8.1	+ 8.1**
POSTAL§						
Postal Receipts	$1,373,745	$1,391,277	− 1.3	$1,388,155	− 1.0	+ 7.3
Poundage 2nd Class Mail	1,186,084	1,276,933	− 7.1	1,419,319	− 16.4	+ 0.6
OTHER						
Department Store Sales Index (Adjusted 1947-49=100)	169	154	+ 9.7	158r	+ 7.0	+ 1.0¶
Retail Food Price Index (1947-49=100)	119.2	119.5	− 0.3	113.7	+ 4.8	+ 4.8**
Consumer Price Index (1947-49=100)	124.9	(Mar.) 124.9	0.0	121.2	+ 3.1	———
Number Telephones in Service	314,854	312,914	+ 0.6	297,337	+ 5.9	+ 5.9**

r—Revised *Average month **End of period ¶—Based on retail dollar amounts
§City of Atlanta only. N. A.—Not Available ▲Data from members of the Federal Reserve System only.
†New series. Covers unemployed federal employees and unemployed veterans in addition to those covered by Georgia law. Claimants include both the unemployed and those with job attachments, but working short hours.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales Index: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.

ATLANTA BUSINESS ACTIVITY

Improvement occurred in nearly every phase of economic activity in the Atlanta area during June, decidedly halting the downtrend which has been apparent during the past several months in most of the series reported on the opposite page. The increase in business activity is evidenced by the movement from May to June of every one of the indicators except those concerned with postal data, number of help wanted ads, and value of building permits. The actual *number of help wanted ads* declined 5.4 per cent, but this decline was much less than expected for this month, so that the *seasonally adjusted* index of help wanted ads based on the 1947-49 average as 100 (not shown among the indicators on the opposite page) actually rose from 105.8 in May to 118.2 in June.

Building permits valued at $5,278,350 were issued for the city of Atlanta during the month of June. Although this figure was only about half as great as the May figure, it was 44.2 per cent higher than June of last year. The *number of permits*, at 785 for June was up 10.1 per cent over May and up 18.8 per cent over June of last year. *Employment in construction*, at 21,500 in June, was just 450 below the all time high for the area reached in August 1957. It was 4.4 per cent above May 1958 and 6.4 per cent above June 1957. In the first half of the year the number of building permits exceeded those issued in the same period last year by 3.0 per cent, average monthly employment was ahead 5.1 per cent, and *value of building* for which permits were issued exceeded the value of those issued in the same period last year by a whopping 70.9 per cent. The number of one-family dwelling units for which permits were issued in the first six months of 1958 totaled 1,145 against 684 in the first half of 1957, a gain of 67.4 per cent. Even though the number of permits issued in the first half of this year is some 15 per cent below the average for the period 1952-56, when construction was very active, it is undoubtedly true that construction has been a great force in countering the effects of the recession in the Atlanta area.

The month of June brought continued strong improvement in the employment picture in the Atlanta area, a direct reflection of improvement in the over-all business picture. Reflecting a decrease in unemployment (as well as some exhaustion of benefits), *job insurance payments* decreased 16 per cent and the *number of continuing claimants* for job insurance payments fell almost 13 per cent from the May levels. Correspondingly, *manufacturing employment* rose almost 13 per cent and total *nonagricultural employment* was up 2.8 per cent over May. Earnings were up sharply at $76.82 average per week, 11.8 per cent better than the $68.71 May figure. The rise in the length of the workweek from 38.6 hours in May to 39.6 in June brought the workweek back up very close to the "normal" 40-hour figure.

While the increase in total employment and in manufacturing employment was largely the result of the return to work of striking transportation equipment employees, many other industries registered small gains and only two industry groups reported losses of more than 100.

Changes in accession and separation rates were also more favorable in June than in May. The Employment Security Agency of the Georgia Department of Labor had this to say: "Further verification of the improvement of business conditions in the Atlanta area was shown in labor turnover rates for June. For a number of months there has been a much higher separation rate than that for accessions. In May this condition improved somewhat, and in June the situation was completely reversed and accessions increased sharply from 35 per 1,000 workers in May to 62 workers per 1,000 in June and showed a gain of 23 per 1,000 as compared with the same period a year ago. Substantially in-

(Continued on page 16)

USE OF ELECTRONIC COMPUTERS IN MARKETING RESEARCH

(Continued from page 7)

simple operation on the computer. As in punch card operation, the cards or tape would have to be prepared in a similar manner at a cost of $180. If the instructions were written out in detail, step by step by the researcher, a programmer possibly could set up the system in about one day at a cost of $120. A more difficult problem would require a systems analyst at $25 per hour in order to diagram the project to reduce valuable machine time priced at $80 to $125 per hour. A coder at $10 per hour would then go over the program and take one day at a cost of $80. On a simple operation such as this, "debugging" time on the computer should be small. The testing time plus the sorting and arithmetic period on the computer should take no more than one to two hours at a cost of $100 to $200. Thus the expenditure for a single short problem on the computer is large because of set-up and preparation outlays. Only if the system were established and the problem were repeated would use of the computer be warranted. On the other hand, a company with a computer available could handle the above problem on open time.

For extremely large surveys the computer opens up the possibility of redesigning questionnaires so that the survey method can utilize more fully the capabilities of the computer. Questions can be designed to go more from the behavior of respondents (objective measurement) into reasons why (subjective measurement), since the computer can handle a vast number of variables. Furthermore, the possibilities for establishing tendencies for cause and effect relationships to exist among the variables are increased substantially. For example the real motivation behind nail polish use by a large number of respondents is possible.

Example 2—Distribution Cost Analysis

The second type of problem encountered is classified under distribution cost analysis. Consider a manufacturer of pots and pans with 50 different products and 100 salesmen selling 10,000 retail accounts. Yearly volume is $10,000,000. Assume 1,000 orders per day are received with 10 items on each order. On a 25-day per month work basis this would amount to 250,000 items of order as to the inventory. It is desired to know monthly the inventory, shipments, sales by customers, commissions of salesmen, analysis of channels, and salesmen's performance measured against standards as to number of calls and expenses.

There are many different methods by which this information could be recorded and the solutions obtained. As an example, this operation could be performed with a "hand sorted and punched" method. It would take perhaps a week to set up the system. Then it would involve the daily work of several girls each at $300 per month plus the cost of the cards. Equipment expenditures would be negligible. This system would not have the accuracy of the computer because of the likelihood of human error; the results of this complete analysis should be available within a week after the end of the month.

To develop the system for the computer would take about one or two weeks. Preparation costs incurred each month prior to feeding the problem to the computer would be negligible. Once the system is developed and the data placed in storage, it would take approximately 20 hours at the rate of 12,000 items per hour to update the data and give out the results. This could be done at a computer center for about $2,000. It would not pay this firm to purchase or rent a computer unless there were other uses such as a payroll, accounts receivable, accounts payable, and dividends to keep the device operating. Moreover, a minimum of 4,000 employees and a substantial number of suppliers would be needed to warrant the cost of a medium- and large-sized computer.

On the other hand, a supermarket chain of more than 200 stores with 120,000 daily inventory items of record finds the computer of extreme value in distribution cost studies, particularly in regard to minimizing investment in merchandise.

Example 3—Correlation

The third type of marketing research problem is that of using statistical techniques such as correlation. For example, consider a simple correlation problem in which (X) yearly automobile sales are correlated with (Y) yearly disposable personal income for (n) ten years. It is desired to find the coefficient of correlation "r." To do this carefully on a hand calculator would take approximately one to two hours and cost from $10 to $25 depending on the rate.

Correlations can be performed on a computer. First, card preparation time and cost for this small problem would be negligible. If detailed instructions were written by the researcher so that a programmer could follow them even if correlation analysis were unknown to him, the problem could be programmed in a day, coded in another day and debugged and run off on the computer in about an hour. The cost - $120 for a programmer, $80 for the coder and $100 machine time - would total $300. If this automobile problem required a model to be built by a systems analyst, the cost would be doubled

or tripled. However, once the routine is established, the number of items "N" can be increased substantially with no apparent increase in machine time or cost. Multiple correlation can be performed economically on the computer once the system is developed if the number of items "N" is large and many variables are involved.

Example 4—Model Building

The studies considered thus far give facts for making marketing decisions. While this is of vast aid, it does not go far enough to ascertain optimum operation in terms of marketing effort. Profit maximizing has not been regarded typically as a marketing research problem. Rather it has been considered one of operations research. Whatever named, this ability to establish the best possible marketing mix will open new horizons. It is estimated that 180,000 electronic marketing researchers and economists will be needed in the next decade to man the 10,000 computers expected to be in use for business in 1967.[3]

What is involved in model building? The prerequisite is a knowledge of the impact of a firm's variable marketing resources on volume or profit and the ability to weave them into a mathematical program. This is represented by a series of equations designed to analyze and compute optimum output decisions which do not violate the limitations imposed by inequality side conditions. No estimates as to the time for preparation and cost of this operation can be made inasmuch as the latitude of a problem can vary widely depending on its nature, number of constraints, and number of variables. While there are graphical solutions in two and three dimensions, possibly the only way complex mathematical models can be solved is through the use of a computer. The most widely used models to date have been in linear programming which is concerned with the problem of planning a complex of interdependent activities in the best possible fashion. The linear notion indicates that as costs of a segment double, the sales double. For example, advertising expenditures in California double as the sales in California double. Unfortunately, diminishing returns arise in marketing expenditures so that a correct optimum always cannot be ascertained. But the models can be an integral part of setting direction to follow. The solution of marketing models by computers is the future challenge of the market researcher. A highly simplified example to show the linear programming technique follows.

Consider a department store with two possible advertising alternatives. Plan A utilizes $3,000 in ads and $5,000 in TV commercials to bring in $25,000 in revenue. Plan B is to expend $2,000 in ads and $15,000 in TV commercials to bring in $50,000 in revenue. The budget calls for $50,000 in ads and $105,000 in TV commercials. What combination of proposals will yield the greatest return? It must be assumed all linear relationships exist.

By definition the general mathematical form of a linear program with the substitution of values in the format to solve the above problem is:[4]

M = number of resources. In this problem it would be number of advertising plans or 2.

Bi = maximum units of resource "i" available (i = 1, 2, . . . , m). In this problem maximum resources available are $50,000 ads and $105,000 TV commercials.

n = number of revenue possibilities determined by the use of Plan A, Plan B, or any combination of Plans A and B. There are 84 in this problem.

Cj = unit return from revenue possibility "j" (j = 1, 2, . . . , n). For example in this problem if j = 1 and is one unit of Plan A, the term would be $25,000.

Aij = units of resource "i" required for one unit of "j." In this problem if one unit of Plan A were the first term, it would be $3,000 ads and $5,000 TV commercials.

Gj = units of "j" required to maximize the total return. In this problem it would be maximum total return expressed as units of "j."

The problem is to determine Gj in order to satisfy the following equations.

1. $Gj \geqq o$
2. $\Sigma jAijGj \leqq Bi$
3. $\Sigma\, jCjGj = \text{maximum}$

Assume values for Gj for all "j" terms from 1 to n, making certain they meet the requirements of equation (1). Then test the values of Gj in equation (2), which is a series of multiplications and additions depending on the "i" and "j" terms. If the conditions of equation (2) are satisfied, then test values of Gj in equation (3). After values from 1 to n are tested, select the maximum value found in equation (3). This is the optimum operation. Studies of this type are known as linear programming problems and are ideal for the computer. Once the routine is established, the device tests the variables literally by repetitive "brute force" calculations.[5]

3 "Training Electronic Economists," Systems (July-August, 1957), p. 3.

4 Charnes, Cooper and Henderson, **An Introduction to Linear Programming** (New York: John Wiley & Sons, Inc., 1953), p. 51.

5 This linear programming problem can be solved by hand calculation following the same procedure as the computer. Select 1 unit of Plan A as the starting point.
(1) Gj = 1
(2) $3,000 Ads and $5,000 TV; $50,000 Ads and $105,000 TV.
(3) $25,000 is the revenue from 1 unit of Plan A.
Then select the next value of 2 units of Plan A.
(1) Gj = 2
(2) $6,000 Ads and $10,000 TV; $50,000 Ads and $105,000 TV.
(3) $50,000 is the revenue from 2 units of Plan A.
Repeat for Plans A and B and all possible combinations. Select the maximum point, which for this problem is 15 units of Plan A and 2 units of Plan B.

Conclusions and Recommendations

The extent of electronic computer use in the field of marketing research has been insignificant when compared with its development in accounting and scientific research. This is in part attributed to certain of the problems encountered which cannot utilize fully the capabilities of the computer. Many marketing analyses (1) involve small samples, (2) do not require extensive repetitive calculations, and (3) are studies made only once. In addition, the high cost of the electronic calculator plus large initial development outlays make it imperative for a company with a computer to use the device where it can make the greatest contribution. Accounting is a natural operation for a computer inasmuch as it is a continuous recording of many items plus arithmetic computation. Many technical research problems have the limitation of being executed only once; but management has chosen to devote more computer time to technical rather than distribution research inasmuch as the former frequently has no alternative method of solution.

Furthermore, there is limited knowledge among businessmen and market researchers as to what kinds of problems the computer actually can handle. Computer manufacturers have appeared to concentrate sales effort to date on more apparent uses of the device. In addition, the relatively few computers in operation coupled with lack of trained personnel have placed restraints on their greater use in marketing. Finally, there is a need for more computer service centers where a business can have individual problems solved even though it does not have sufficient uses for a computer itself.

Yet, confronted with all these limitations, there are problems in marketing research that lend themselves readily to computer use. These include elaborate statistical studies on forecasting, distribution cost investigations, and mathematical programming to optimize marketing operations. As yet, the use of computers in these types of distribution research generally has been skimmed by the giant concerns who have been able to squeeze marketing studies into crowded computer time schedules dominated by accounting and scientific research.

The thirty-odd manufacturers of computers recognize a growing market for their products in business. In their merchandising plans, more manufacturers are presenting models suitable for both large- and medium-sized business. Even with scaled-down models, smaller concerns will seek all possible uses to keep the machine occupied. The most prolific untapped field is the use of the computer as the key to making actualities out of mathematical models. Marketing research faces one of its greatest challenges as it endeavors to solve marketing models, not merely to furnish data but actually to offer the solution for the best marketing mix.

[End]

THE RESPONSIBILITY OF THE LIFE INSURANCE INDUSTRY

(Continued from page 5)

the minimum experience requirements would limit the chances of the so-called "part-timers" to receive the designation.

Gives Training for Insurance Counseling

A second basic point in such a definition is the necessity for a high level of knowledge in the practice of the vocation, i.e., insurance counseling. Again the high level of knowledge required to pass the uniform national examinations gives reasonable assurance that the holder of the C.L.U. designation has the education and understanding of insurance knowledge which is essential to advising and generally servicing the insuring public.

Signifies a Pledge to Serve

Finally, the very essence of the professional concept is embodied in the pledge taken by every individual who is awarded the C.L.U. designation:

> "I shall, in the light of all the circumstances surrounding my client, which I shall make every conscientious effort to ascertain and to understand, give him that service which, had I been in the same circumstances, I would have applied to myself."

Such a pledge, if faithfully carried out, represents the real value of the C. L. U. designation to the insuring public. As in the other professions — medical, legal, or other—not every individual lives up to the ethical standard implied therein. The majority of the members of a profession, however, are conscientious and sincere in their efforts to serve their clients in a truly professional manner. Such a pledge, of course, takes on real meaning only if the individual has the knowledge and skill necessary to be able to make intelligent recommendations —no matter how sincere he may be. Without such knowledge, the professional charge is meaningless.

All this does not mean, however, that a C. L. U. is *necessarily* a better life insurance man or more professionally minded than those who do not hold the designation. It does mean that (1) any given underwriter will be a better underwriter after he has done the study necessary to achieve the C. L. U. designation; (2) there is a basic and recognizable standard represented in the designation; and (3) in consequence of these two points, a greater measure of reliance may be placed by the buyer upon the ethics and skills of the underwriter who holds the designation.

THE CHALLENGE

The life insurance industry offers great opportunity. It can provide security of a high level, a personal sense of contribution to fellowman, self-respect and confidence, and the opportunity to achieve self-determination. Hard work in the early years using the facilities and opportunities to the maximum will reap rewards in latter years beyond fondest hopes.

[End]

DEFENSE AGAINST INFLATION*

POLICIES FOR PRICE STABILITY IN A GROWING ECONOMY

The recent study* Defense Against Inflation, *a statement on national policy by the Research and Policy Committee of the Committee for Economic Development, is a consideration of certain questions pertinent to the economic problems of inflation under present conditions. These questions are: "Why do prices rise under such conditions?" "Does the rise mean that inflation is inevitable?" "Even if not strictly inevitable, is inflation a necessary price we must pay to achieve higher living standards?" "How can we maintain a satisfactory rate of growth of employment and production without inflation?"

The following summary of conclusions is quoted from the study:

1. We do not accept the idea that creeping inflation is desirable, or even acceptable, because there are forces that could convert a creep to a gallop and because even a creeping inflation erodes the value of long-run fixed-money obligations, which are important in our economy, and crucifies the weaker groups in our society.

2. A rising price level is not essential to real growth and sustained, productive employment. In fact, by distorting the normal incentives for efficiency in business and increased productivity of labor, it may well endanger the sustainability of growth.

3. There is danger of long-term inflation in this country, but inflation is not inevitable. The nation can have both stable prices and high employment — if it is willing to adopt the policies required to make them consistent.

4. We do not have to sacrifice high production to avoid inflation. The only thing we need to give up is an illusion: the illusion that we can get more out of the economy than we put into it, that we can consume more than we produce.

5. The responsibility for preventing inflation is a joint responsibility of government, business, labor and agriculture.

6. The government's chief responsibility is, through the exercise of its monetary and fiscal policies, to keep demand from rising faster than the nation's ability to produce. To clarify the responsibilities of government in this regard, the Employment Act of 1946 should be amended to include stable prices as a specific objective of policy along with "maximum production, employment and purchasing power."

7. There is danger that, even if government succeeds through monetary restraint and tax policy in keeping demand within bounds, prices may still rise because production costs rise, or for other reasons. We must rely on the forces of competition and on the voluntary exercise of restraint in price and wage policies by business and labor to prevent this from happening. We reject government controls of prices and wages, in peace time, to restrain inflation. Such controls would seriously impair the freedom and efficiency of the economy and, in any case, they could not restrain inflation for very long. But we do believe that government has the responsibility to enact and enforce legislation to preserve competition in business and labor markets.

8. Business or labor should not force excessive increases in wages. By excessive, we mean: (a) Average wage rates (including fringe benefits as well as cash wages) should rise as fast — but not faster — than the rise of output per man-hour for the economy as a whole, which has averaged just over 2 per cent a year since 1900 and close to 3 per cent a year since World War II. Larger increases of wage rates would be justified if productivity *for the economy as a whole* could be raised more rapidly. We emphasize that wages should not rise in line with productivity in particular industries or firms. Moreover, labor and capital should both share the benefits of increased productivity, that is, wages should rise in *proportion* to the average gain in productivity, but should not absorb the whole gain. (b) Average profits per unit of output would be roughly constant if wages behaved in this way and if prices were stable on the average. The main justification for departure from this average behavior in particular cases is a surplus or shortage of particular categories of labor or product.

9. If the existing degree of competition in product and labor markets should prove to be inadequate, and the exercise of business and labor power insufficiently responsible, to preserve general price stability, we shall have to seek measures to strengthen competition. The laws to maintain competition in business need to be more vigorously enforced and constantly reviewed to assure their effectiveness. But the main problem is in the field of labor, where there is no law and not even a public philosophy or policy for the limitation of economic power. There is urgent need for objective consideration of the proper extent, character and uses of union power in our society. Existing laws should be reviewed to see whether they give or leave a degree of power to labor organizations that is not in the public interest. **[End]**

(Footnotes giving qualifying statements from some members of the Committee have been omitted.)

*Copies of **Defense Against Inflation**, a 96-page booklet, printed in July 1958, may be obtained from the Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y. Single copies are $1.00. Special prices are given on quantity orders. Schools, libraries, and organized groups may, upon request, receive up to 25 copies free of charge.

The Southeastern Corner

by
Warren A. Walker*

WINSTON-SALEM AND FORSYTH COUNTY

Historical Background

Historically Winston-Salem was originally three settlements that later became one city. All of these settlements were pre-Revolutionary, being founded in 1754, 1759, and 1766. The names given to the two earliest settlements have apparently been lost, but the third was named Salem, an ancient word for peace.

In 1849, when Forsyth County was created, the county seat was designated as being one mile north of Salem Square and named Winston. The name was chosen in memory of Joseph Winston, an officer of some considerable prominence in the Revolutionary War.

In 1856 Salem became incorporated, and three years later Winston became incorporated also. For more than fifty years they remained separate towns in spite of the fact that their nominal centers were only one mile apart. In 1913 they were consolidated by popular vote and became officially known as Winston-Salem.

Another rather interesting aspect of the history of this area is the fact that it was originally settled by a Moravian group who bought approximately 100,000 acres of land shortly before the first settlement was made. For more than one hundred years no person of other than Moravian origin owned any land. It was 1856 before any land was sold to any outside person or corporation.

Economic Characteristics

Forsyth County, North Carolina, is both prosperous agriculturally and fairly heavily industrialized. Tobacco is the principal agricultural product, but substantial quantities of both corn and hay are also produced. The area is also active in the production of dairy products.

This area's identification as a center of tobacco production and processing dates back almost to its earliest period nearly two centuries ago. Curiously enough, it was not until quite recently that this city received any free publicity by having a tobacco product use its names. Nearby Durham, on the other hand, has been receiving this type of publicity as long as anyone remembers.

In spite of its historical emphasis on agriculture, and tobacco in particular, Winston-Salem has a moderately well diversified economy—much more so than a typical city of its size. Energetic efforts have been in process for over a decade now to improve this situation even further.

Specific Efforts Towards Diversification

As indicated in earlier articles of this series, the writer feels that every metropolitan area should make an effort to avoid excessive dependence on agriculture or any one particular industry. Such a situation places the area in a particularly vulnerable position when any shift in economic activity occurs.

The first step that any city or trading area must take in attempting to attract new industry is to recognize the fact that it is faced with a competitive situation. It is in some ways even more important for a city of moderate size such as Winston-Salem than it is for a relatively larger metropolitan area such as Atlanta or New Orleans.

Winston-Salem very early recognized this fact and, further, that greater effectiveness could be achieved through cooperation with other cities within the same general trading area. They have actively participated with the Northwest North Carolina Development Association in the fields of industry, agriculture, recreation, and community development. Organizations of this type are useful in that they provide an integration of efforts within a somewhat extended geographical area.

Some types of projects are by their very nature too expensive or too complex for a single medium-sized community to undertake on any effective basis. One such type of project is airport facilities. It is true that a single community could build an airport adequate for private planes or small commercial aircraft, but this is sometimes not enough. In order to attract any substantial amount of convention activity the airport must be sufficient for large passenger aircraft. In order to attract the small specialized manufacturer (such as certain types of

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electronic products) the airport must be sufficient for air freight facilities.

Winston-Salem in conjunction with two other North Carolina cities, Greensboro and High Point, solved a problem of this type through the Three Cities Development Committee. Through combined effort this group has worked towards obtaining a new centrally located airport that will serve the needs of all three cities. This impresses the writer as an intelligent and effective approach to an otherwise almost impossible problem.

Postwar Progress

As the writer has indicated in other articles analyzing growth in various trade areas, it should be kept in mind that the longer the period considered, the greater the impact of inflation on the figures. For that reason, only those figures are used here that represent actual growth even when inflation is taken into account. Unfortunately the 1957 figures for Winston-Salem are incomplete and will not be used. Suffice it to say that the 1957 rate of growth appears to be about the same as in previous years when adjusted for the general decline in business activity the last half of 1957.

The industrial payroll in Winston-Salem increased from slightly over forty-five million dollars annually in 1945 to almost one hundred and twenty-nine million in 1956. This represents an average annual increase of more than seven million dollars —a quite impressive figure for a city of this size. Interestingly enough, this growth in industrial payrolls has a remarkably balanced distribution, with one half coming from the addition of new industries and one half from the growth of existing industries. This is more significant than it might appear at first glance. It means that the industries that are already located in the area have found an industrial environment suitable for expansion. A situation of this type is almost always indicative of well-administered local government with intelligent taxation schedules and efficient services. Note especially the parallel situation in Savannah covered in last month's article.

Agricultural Income

As might very well be expected, the increase in agricultural income, while substantial, represents a less impressive gain than industrial income. These figures refer to the eleven-county trade area that surrounds Winston-Salem, rather than to Forsyth county only. Agricultural income increased from slightly more than fifty million dollars annually in 1945 to ninety-five million dollars annually in 1956. This represents an average annual increase of slightly over four million dollars.

There are several factors to be considered in connection with these figures—both as to why they are not more, and why they are not less. The growth rate has been retarded because tobacco, one of the principal agricultural products of the area, has been subject to more severe acreage cutbacks than have some other crops. (The writer understands that the total acreage reduction during the survey period is in excess of 20 per cent.) The growth rate has been sustained because the Agriculture Committee of the Chamber of Commerce in active cooperation with the Northwest North Carolina Development Association works constantly to improve farm income through improved farm practices and marketing methods.

Retail Sales Income

Retail sales increased from slightly more than $95,000,000 annually in 1948 (1945 figures not available) to more than $192,000,000 annually in 1956. This represents an annual increase of approximately $9,000,000. But actually more than $33,000,000 of the total increase occurred during the period 1955-1956.

This unusual 1955-1956 increase was due in part to a disproportionate increase in convention income and tourist income during this period. These aspects will be examined in detail in subsequent paragraphs. A little thought will indicate that actually this money gets counted several times. As an example, the money that merchant X received as a result of a convention, he will in turn spend on his own consumer purchases with merchant Y. Merchant Y will spend the money he received from merchant X for his own consumer purchases with merchant Z, and so on down the line. This doesn't make this income any less real—it is merely a practical and localized example of the flow of funds theory. Typically, such funds change hands four times before their effect is dissipated.[1]

Convention Income

Some cities seem to feel that no effort should be made to attract conventions because they mean just temporary income anyway. This is a rather shortsighted view of the situation in the opinion of the writer. In the first place, as indicated above, the net effect is that every dollar spent by a delegate becomes four dollars as far as local retail trade is concerned. In addition, the typical delegate is an officer or policy-making employee of the organization he represents (with the exception of fraternal groups) and is consequently in a position to influence the location of new manufacturing facilities, wholesale distribution points, and retail outlets. If the city creates a favorable impression on such a person he is in a position to generate business activity in the area far beyond the twenty-four dollars a day or so that he spends as a delegate to a convention.

In Winston-Salem the money spent by convention delegates increased from little more than a quarter of a million dollars annually in 1945 to more than

1 This conclusion is based on a survey conducted by the Winston-Salem Chamber of Commerce.

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33 Gilmer St., S. E.
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RETURN POSTAGE GUARANTEED

SECOND-CLASS MAIL PRIVILEGES
AUTHORIZED AT ATLANTA, GEORGIA

a million dollars annually in 1956. These figures are of course based on local estimates, but are believed to be substantially correct. The *increase in 1956* was $271,000 (more than the total 1945 figure). The 1956 total represented 54 conventions and almost 15,000 delegates.

Tourist Income

Much the same type of analysis can be applied to tourist income as to conventions—because delegates are merely tourists with a centralized reason for coming. Here again the increase is on a nonuniform basis. Tourist income increased from slightly less than $88,000 in 1945 to slightly less than $504,000 in 1956. The *1956 increase* alone was almost $95,000.

In recent years the local Chamber of Commerce established a Convention and Tourist Department and a visitors' information program. As a result of this program more than 16,000 inquiries were received, and more than 24,000 pieces of literature were distributed.

The writer has heard the opinion expressed in some communities, "We are too large to be a town and too small to be a metropolis—there is nothing much for us to do but wait." Winston-Salem is an example of a community that was not content to wait. It planned intelligently and pursued energetically.

Next month's subject will be "Douglas, Georgia—Metropolis in Microcosm."

ATLANTA BUSINESS ACTIVITY

(Continued from page 9)

creased accessions were shown in nearly every manufacturing industry, and the only industries showing increased separation rates between May and June were apparel plants and non-electrical machinery industries."

The volume of checks written against *demand deposit accounts* in Atlanta banks rose to $1,625,500,000 in June, up 1.6 per cent from May and up 1.3 per cent over June of last year. During the first half of 1958, bank debits to demand deposit accounts rose 2.1 per cent over the same period of the previous year, indicating that there has been no evidence of slackening in this type of spending.

RESEARCH PAPER NUMBER 6 AVAILABLE

RESEARCH PAPER NUMBER 6
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